



Federal proposal would give utilities time to pay

Government and industry officials agreed late Tuesday on a framework to try to ease California's energy crisis by giving utilities more time to pay the billions of dollars they owe for high-priced electricity and arranging for suppliers to provide power under fixed-price, long-term contracts.

The state government itself might become a major buyer of power from the generating companies "at an attractive fixed rate," according to a statement issued after a seven-hour negotiating session that ended shortly after midnight Washington time.

Gov. Gray Davis and other California political leaders huddled behind closed doors at the U.S. Treasury headquarters in an effort to find a solution to the crisis that has sent power prices soaring and threatened bankruptcy for utility companies.

"We can see light at the end of the tunnel," Davis said early today, after the meeting broke up. "While there's still a lot of work to do, I think we're making progress."

Speaker Bob Hertzberg, who joined the Governor and other legislative leaders at the meeting, added, "I also see the light at the end of the tunnel. The meeting was productive and helpful and we are working around the clock to craft a solution."

PG&E says it can't pay natural gas bills, asks State to help

California's largest public utility ran out of cash to pay its bills on Wednesday, canceled its dividend and begged for state help to buy natural gas for its 13 million customers as officials tried to find a way to save it and a competitor from bankruptcies that could roil the economy.

Gov. Gray Davis, who had just returned from Washington where he, Speaker Hertzberg, Senate President Burton, other legislative leaders, the Clinton administration, federal regulators, power producers and the utilities were trying to fashion a rescue plan, had no immediate comment.

"The utility's deteriorating credit situation is causing many of its gas suppliers to decline to sell the utility any more gas, even under existing gas

Bills before the Energy Costs & Availability Committee – Chair: Rod Wright January 11, 2000, 2:00 p.m., #4202 Major Points

AB 5X -- Keeley

This measure will change the composition of the boards of the Independent System Operator (ISO) and the Power Exchange (PX). Together the two boards control much of the buying, selling and distribution of electricity in the state. Individuals from the electricity industry dominate the current boards. The bill requires that members of new three-person boards for each entity shall have no interest in the marketing of electricity. A board of Governor's appointees, the Electricity Oversight Board, shall make the appointments.

- The message for this measure is simple: We will no longer allow the foxes to guard the hen house.
- We want people running these boards who put the best interest of ratepayers ahead of the interests of those in the utility business.

AB 6X -- Dutra and Pescetti

Current law requires the state's investor-owned utilities (IOUs) to sell most of their non-nuclear power generators to non-regulated private power generators. This bill would require them to keep those assets within the regulated utility unless the Public Utilities Commission gives its permission for divestiture. These power facilities include a large number of hydroelectric power plants.

- Keeping these plants under the ownership of the regulated IOUs will ensure that the power they generate stays in California. Transfer of these plants to non-regulated companies has resulted in the power going to the highest bidder, sometimes in California, but sometimes not.
- In addition, bill will help keep the rates utilities can charge for this power under the jurisdiction of the state Public Utilities Commission.
- The measure will help keep the costs of power down and the lights on in California.

contracts, in the absence of accelerated payments,” a PG&E spokesperson stated.

Assemblymembers Wright, Keeley and members of the energy crisis working group the Speaker has formed are looking closely at the PG&E plea.

Feds to contest lawsuit by California's Power Exchange

Federal regulators sued by California's wholesale electrical market said they will defend price caps.

The nonprofit Power Exchange filed an emergency petition Jan. 4 with the 9th Circuit Court of Appeals. It seeks to stay portions of a Dec. 15 FERC order that placed a “soft cap” of \$150 per megawatt/hour on the wholesale price that Power Exchange markets could broker.

The Power Exchange, which currently operates under a \$250 cap, alleged the cap would cause “irreparable harm” to its markets. The cap was supposed to have taken effect on Jan. 1 but the court action has placed it on hold.

The lawsuit also challenges a FERC decision to allow investor-owned utilities to buy and sell power outside of the Power Exchange.

CA power producers' profits at a glance

The six companies that bought power plants from utilities after the state deregulated its electricity market have seen profits soar this year. Along with a seventh company, Calpine Corp., they account for nearly 40 percent of the power generated within California.

Dynegy Inc. of Houston, had a third quarter net income increase of 83 percent to \$176.5 million, compared to \$96.5 million for the same period a year ago. With NRG Energy Inc., Dynegy has bought four power plants in southern California for \$570 million.

Reliant Energy Inc., also headquartered in Houston, saw its third quarter net income jump by 37 percent this year to \$389 million, compared to \$283 million for the same period last year. The company's division that concentrates on wholesale energy saw third quarter operating income rise 642 percent this year to \$319 million, compared to the same period a year ago. Reliant acquired five power plants from Southern California Edison in 1998 for \$280 million.

Duke Energy Inc. of Charlotte, N.C., saw its third quarter net income this year rise 74 percent compared to the same period a year ago, to \$770 million from \$441 million. Duke purchased three power plants for \$501 million and will also manage a 693-megawatt power plant in Chula Vista, south of San Diego, on behalf of the San Diego Unified Port District.

AES Inc. of Arlington, Va. Had a third quarter net income gain of 131 percent this year compared to

the same period a year ago, to \$134 million from \$58 million. AES purchased three power plants for \$781 million from SCE.

NRG Energy Inc. of Minneapolis saw its third quarter net income rise 221 percent this year to \$88.6 million, compared to \$27.6 million for the same period last year.

Southern Energy Inc. of Atlanta had a third quarter earnings increase of 59 percent to \$119 million, compared to \$75 million a year ago. SEI bought three power plants in the Bay Area for \$801 million.

Calpine Corp. of San Jose saw its third quarter net income increase 243 percent to \$147 million, compared to \$42.9 million a year ago. The company has 46 plants across the United States.

Cash-starved utilities see no short-term help in governor's plan

Stocks in two major California utilities fell Tuesday after Gov. Gray Davis proposed an overhaul of California's troubled electricity system, and Intel Corp. said it wouldn't expand in the state because of the uncertain power supply.

Wall Street's confidence in both companies wavered after Davis' speech. PG&E declined from \$14 to \$13.18, and shares of Southern California Edison's parent company, Edison International, slid from \$12 to \$11 Tuesday.

Intel spokesman Bill Calder said Tuesday that the world's largest chip maker would not expand manufacturing plants or build new ones in California because of the uncertain power supply.

Most Silicon Valley companies already have drawn up contingency plans to move plants out of California if the state doesn't come up with a solution that assures adequate power supplies, according to an executive for a major trade group.

FERC chairman Hoecker resigns

James Hoecker, chairman of the Federal Energy Regulatory Commission, will step down on Jan. 18, the agency announced Wednesday.

Public utilities question governor's electricity plan

LOS ANGELES (AP) Public utilities attacked by Gov. Gray Davis said they are not to blame for California's energy crisis.

The state's 30 public utilities, which serve about 25 percent of the state, are allowed to sell their excess power wholesale.

But David Freeman, general manager of L.A. Dept. of Water & Power, blamed high wholesale prices on the soaring cost of natural gas.

DWP has a “California first policy” when it comes to the sale of excess energy, Freeman said.